

Hopi Investment Policy

To guide management of the:
Hopi Self Determination Fund
Hopi Working Capital Fund
Hopi Perpetual Fund
Hopi Land Acquisition Fund

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I. Introduction

Portfolio management is a dynamic process. It is not possible to anticipate the future requirements of the Hopi Tribe and how they might affect the ways the Hopi Tribe's funds should be managed. Nothing in this document constrains the Hopi Tribal Council in establishing future investment policy. Rather, its purpose is to create a document that facilitates communication between the Tribal Council, the Treasurer, and outside investment managers, all of whom have a vital role in managing Hopi investments.

The Hopi Tribe has four separate funds: the Self Determination Fund, the Working Capital Fund, the Land Acquisition Fund, and the Perpetual Fund. The Hopi Tribal Council has the ultimate responsibility for the investment and management of those funds. This policy, when approved by the Tribal Council, provides guidance to the Tribal Treasurer and to professional investment managers hired by the Tribe in the management of those funds, to help the Tribe reach its investment goals. The objectives and constraints are different for the four funds, and result in different asset allocations. Therefore, a separate discussion of objectives, constraints and asset allocation is provided for each fund. The benchmarks for evaluating performance depend on the asset allocation, so they also are discussed for each fund. Even though the objectives and constraints vary between the funds, the goal of investing is always to maximize the total return on invested capital, given market conditions and subject to the constraints affecting a particular fund or portfolio.

This policy identifies classes of assets that are acceptable and unacceptable for each fund, and establishes upper and lower limits for the percentage to be allocated to any one asset class. Those upper and lower limits, once approved by the Tribal Council, are not to be exceeded unless changed by the Council. In addition, the Council may provide more specific guidance to the Treasurer at any time. Within the limits established by the Tribal Council, the Treasurer will review the asset allocation of each fund at least once every quarter, and, based on his knowledge of the Tribe's short-term cash flow requirements will decide what the asset allocation should be and communicate that to the professional investment managers. Guidance provided to professional investment managers should be specific enough to insure that the Tribe's needs are met, yet allow the professional managers sufficient flexibility to do their jobs.

The Tribe's investments must be managed to maximize the amount of funds that are invested at any point in time, while meeting liquidity needs and avoiding a situation in which disbursement accounts are overdrawn. To accomplish this, the Tribe should arrange for a line of credit at the bank at which disbursement account accounts are located. A minimal balance in each disbursement account (perhaps equal to several days average disbursements) can be maintained. Every morning, the Treasurer should transfer from cash management accounts

and/or money market mutual funds an amount equal to the value of all checks written the previous day into the disbursement account.

Prior to discussing the specific requirements of each fund, capital market expectations are discussed in the following section.

II. Capital Market Expectations

It is well established that a risk-return trade-off exists in financial markets. Investments that offer the potential for higher returns also have greater risks. If funds can be committed for an extended period of time, the fluctuations that occur in the short run are less important, and at least a portion of those funds should be committed to assets that offer higher expected returns, but also might decline in value. However, it is a mistake to expose funds that will be needed soon for planned or anticipated expenditures to the possibility of a capital loss. For example, funds that will be spent within the next year should be invested in only the safest, most liquid classes of securities, even though the rate of return is low. Those funds that will be spent one to five years in the future should be invested with less emphasis on liquidity and more on returns. For funds that are not expected to be spent for at least five years, an investment strategy that puts even less emphasis on liquidity and more emphasis on returns is appropriate and a portion can be invested in riskier assets, for example common stock.

It is a mistake to expect the future to be exactly like the past. However, past experience does provide a solid basis for the average returns that are likely to be earned on various classes of securities, as well as providing information about the risks.

One way to reduce investment risk is by diversification. There are two aspects of diversification. One is to limit the percentage of a fund that is invested in securities issued by a single issuer (unless the issuer is the U.S. Treasury). The purpose is to limit losses if the issuer experiences financial difficulty. That applies to all four of the funds covered by this policy. The second is to invest in several different classes of securities. The purpose is to limit losses if a particular class of assets declines in value. That applies only to funds invested longer term.

There are several ways to measure investment risk, but one of the most useful is the volatility of returns. Statistically, volatility is measured by the standard deviation. The table below provides historical data on the average annual percentage return and the standard deviation of annual returns for various asset classes.

Table 1
Historical Returns

Asset Class	Average Return	Volatility	Currently
Large Cap Stock	10.5%	20.3%	8.5%*
Long-term bonds	5.2%	8.2%	4.8%
Intermediate bonds	5.1%	6.3%	4.1%
Treasury bills	3.8%	3.3%	2.7%

In Table, 1, the average return is the geometric average annual percentage return from the period 1926-2001. Volatility is the standard deviation of annual returns. Current return for stocks is the percentage return for the year ended March 22, 2005. Current return for long-term bonds is the yield to maturity on 30-year U.S. Treasury bonds as of March 22, 2005. Current return for intermediate bonds is yield to maturity on 5-year U.S. Treasuries and the current return for Treasury bills (T-bills) is the yield of 3-month T-bills, both on March 22, 2005.

The objectives, constraints and asset allocation differ between the four funds. Because the appropriate securities and asset allocation differ, the performance benchmarks also differ. Therefore each fund is discussed separately in the sections that follow. Following that discussion, the process for rebalancing and future changes in asset allocation for all four funds is addressed.

For each fund, a table is provided with the minimum, maximum, and target percentage to be allocated to various asset classes. The minimum and maximum percentages represent limits established by the Tribal Council. It is the Treasurer's responsibility to insure that each fund conforms to those limits and to recommend changes in the limits to the Council if he/she believes it appropriate. The target weights represent long-term strategic allocations, and are based on the objectives and constraints for each fund. Changes in target weights also require Council approval. However, short-term variations above or below the target weights can be expected, and can result from a variety of factors, including differential rates of return on different assets, and the Treasurer's assessment of market conditions or unusual liquidity requirements for a particular fund.

The range between the minimum and maximum percentage specified for various asset classes for a particular fund is very large, in some cases it is from zero to one hundred percent. In communicating with professional investment managers, the Treasurer will provide much more specific guidance, based on current market conditions and current liquidity needs.

III. Self Determination Fund (SDF)

A. SDF Assets: All P.L. 93-638, as amended to date, mature Contract/Grant funds are deposited into the SDF annually. Average approximately \$5 Million annually.

B. Background: Laws and regulations: Pursuant to Federal law, the Federal Government of the United States authorizes and appropriates funds each year to carry out unique services to Indians, in response to the ongoing Federal obligations to Indian Tribes. The Indian Self-Determination Act, P.L. 93-638, as amended to date, requires agencies administering such services, to enter agreements with the Tribes to transfer the resources made available to the Tribes along with the responsibility and authority to design and conduct services for the benefit of the Tribes. Tribes are afforded the authority, within limitations provided by the U.S. Congress, to redesign programs, shift budgeted funds between programs and establish priorities over the use of such funds. In addition, Tribes are authorized to carry over and use any savings in such programs in subsequent years. Pursuant to Public Law 100-472, the 1988 amendments to the Act, Tribes are not accountable for interest earned on investments of the fund while awaiting disbursements for the authorized services under such agreements. Pursuant to Public Law 103-413, the 1994 amendments to the Act, Tribes are authorized to receive funds available under agreements as a lump sum payment at the beginning of each year. The investment income earned on the funds prior to expenditure provides Tribal Councils with an additional source of revenue with which to carry out programs and services to the Tribal community.

Currently the Hopi Tribe operates significant programs under agreements with the Bureau of Indian Affairs (BIA) and the Indian Health Service (IHS), and anticipates that additional programs may be assumed in the future.

It is the Treasurer's responsibility to insure that the Self Determination Fund is managed in compliance with all relevant Federal and Hopi laws and regulations.

C. SDF Objectives:

Return requirements: The investment returns earned from this fund augment the general operating budget of the Hopi Tribe. No specific program relies on those earnings. As a result, there is no minimum rate of return or cash flow that must be earned in any given period. The overall objective is to earn a total return equal to or greater than the relevant benchmark, while observing the fund's liquidity and risk constraints.

Risk Tolerance: Minimal.

D. SDF Constraints:

Liquidity: The liquidity requirements are quite high. As a result, investments should be restricted to assets that have minimal risk of capital loss and can be liquidated upon demand.

Time Horizon: One to fifteen months. It is expected that each year's funds will be deposited into the Self Determination Fund by January 1 and will be spent during the following fifteen months.

Taxes: The Hopi Tribe is not subject to Federal, state or local taxes.

E. SDF Asset Allocation:

Eligible Securities. The classes of assets in which the Self Determination Fund shall be held and invested include:

- Cash and cash equivalents (including bank accounts and free cash balances in brokerage accounts).
- Money Market Mutual Funds.
- Bills, Notes and Bonds issued by the U.S. Treasury or U.S. Government agencies with remaining time to maturity at purchase no greater than one year.
- Certificates of Deposit.
- Commercial paper rated A1/P1 or equivalent.

Money market mutual funds are to be managed by reputable investment companies of national stature that are members of the SIPC. They must be institutional quality with Standard and Poor's or Moody's rating of "A" or better.

Certificates of deposit must be in amounts that qualify for insurance (\$100,000 or less).

Ineligible securities for the Self Determination Fund include everything not specifically listed above as eligible.

Table 2
Asset Allocation of Self Determination Fund*

Allocation:	Lower Limit	Target	Upper Limit
Cash & equivalents	1%	5%	10%
Money Market Funds	0%	40%	60%
U.S. Treasury Securities	0%	20%	40%
Certificates of Deposit	0%	20%	40%
Commercial Paper	0%	15%	30%

*Based on initial funding.

A single deposit of funds is made into the Self Determination Fund each year, and those funds are spent over the following twelve to fifteen months. The Fund should be managed to maximize the time that funds are invested prior to expenditure, while maintaining adequate liquidity, based on the amount and timing of planned expenditures and future contributions. If liquidity needs require liquidation of investments prior to maturity, attention will be paid to cost of liquidating various investments and the maturity of the remaining portfolio. The Tribal Treasurer will monitor the composition and performance of the Self Determination fund to insure that, within the limits of market conditions, it is managed in a way that is consistent with the Tribe's needs.

A sufficient balance will be maintained in cash and money market mutual funds to provide adequate liquidity. The allocation between and U.S. Treasury securities, certificates of deposit and/or commercial paper will be based on market conditions and yield spreads. The maturities of U.S. Treasury securities will be staggered so that they mature prior to the expected date of expenditure. Over the course of the year, as securities and/or certificates of deposit mature, the funds will be deposited into a money market mutual fund or a cash management account. Funds will be transferred from money market mutual funds and/or cash management accounts by the Treasurer into the disbursement account daily as necessary to meet spending requirements.

Performance Benchmark: On average, funds deposited into the Self Determination Fund will be invested for approximately six months. In addition, the liquidity requirements dictate a high percentage of is allocated to cash and money market mutual funds. As a result, the appropriate benchmark for performance of the Self Determination Fund is the market yield on 90-day Treasury bills.

IV. Tribal Working Capital Fund (WCF)

A. WCF Assets: Average approximately \$30 million.

B. Background: The funds are comprised of daily operational funds in the Revolving Accounts, other daily working funds, and the "Proceeds of Labor Account" held at the Office of Trust Funds Management (OTFM). The Working Capital Fund is separated into two parts: allocated funds, representing funds that will be spent within one year, and unallocated funds, that are expected to be spent one to five years in the future.

C. WCF Objectives:

Return requirements: The investment returns earned from this fund augment the general operating budget of the Hopi Tribe. No specific program relies on the earnings. As a result, there is no minimum rate of return or cash flow that must be earned in any given period. The overall objective is to earn a total return equal to or greater than the relevant benchmark, while observing the fund's liquidity and risk constraints.

Risk Tolerance: Allocated funds: minimal. Unallocated funds: low.

D. WCF Constraints:

Liquidity: The liquidity requirements for allocated funds are quite high. As a result, investments of allocated funds should be restricted to assets that have minimal risk of capital loss and can be liquidated upon demand. The liquidity requirements for unallocated funds are moderate.

Time Horizon: Allocated funds: one to twelve months. Unallocated funds: one to five years.

Laws and regulations: It is the Treasurer's responsibility to insure that the Working Capital Fund is managed in compliance with all Federal and Hopi laws and regulations.

Taxes: The Hopi Tribe is not subject to Federal, state or local taxes.

E. WCF Asset Allocation for Allocated Funds:

Eligible Securities. The classes of assets in which the allocated funds shall be held and invested include:

- Cash and cash equivalents (including bank accounts and free cash balances in brokerage accounts).
- Money Market Mutual Funds.

- Bills, Notes and Bonds issued by the U.S. Treasury or U.S. Government agencies with remaining time to maturity at purchase no greater than one year.
- Certificates of Deposit.
- Commercial paper rated A1/P1 or equivalent.

Money market mutual funds are to be managed by reputable investment companies of national stature that are members of the SIPC. They must be institutional quality with Standard and Poor's or Moody's rating of "A" or better.

Certificates of deposit must be in amounts that qualify for insurance (\$100,000 or less).

Ineligible securities for the allocated portion of the Working Capital Fund include everything not specifically listed above as eligible.

Table 3
Asset Allocation of the Allocated Portion of the Working Capital Fund

Allocation:	Lower Limit	Target	Upper Limit
Cash	1%	5%	10%
Money Market Funds	0%	40%	60%
U.S. Treasury Securities	0%	20%	40%
Certificates of Deposit	0%	20%	40%
Commercial Paper	0%	15%	30%

The Working Capital Fund should be managed to maximize the time that funds are invested prior to expenditure, while maintaining adequate liquidity, based on the amount and timing of planned expenditures and future contributions. If liquidity needs require liquidation of investments prior to maturity, attention will be paid to cost of liquidating various investments and the maturity of the remaining portfolio. The Tribal Treasurer will monitor the composition and performance of the Working Capital Fund to insure that, within the limits of market conditions, it is managed in a way that is consistent with the Tribe's needs.

A sufficient balance will be maintained in cash and money market mutual funds to provide adequate liquidity. The allocation between and U.S. Treasury securities, certificates of deposit and/or commercial paper will be based on market conditions and yield spreads. The maturities of U.S. Treasury securities will be staggered so that they mature prior to the expected date of expenditure. As securities and/or certificates of deposit mature, the funds will be deposited into a money market mutual fund or a cash management account. Funds will be transferred by the Treasurer from cash management accounts and/or money

market mutual funds into the disbursement account daily as necessary to meet spending requirements.

Performance Benchmark: Once working capital funds are allocated, they will be invested, on average, for six months, or less. In addition, the liquidity requirements dictate a high percentage of is allocated to cash and money market mutual funds. As a result, the appropriate benchmark for performance of the allocated portion of working capital is the market yield on 90-day Treasury bills.

F. WCF Asset Allocation for Unallocated Funds:

Eligible Securities. The classes of assets in which the unallocated portion of the Working Capital Fund shall be invested include:

- Cash and cash equivalents (including bank accounts and free cash balances in brokerage accounts).
- Money Market Mutual Funds.
- Certificates of Deposit.
- Bills, Notes and Bonds issued by the U.S. Treasury or U.S. Government agencies with remaining time to maturity at purchase no greater than five years.
- Domestic (U.S.) corporate notes and bonds.
- International fixed income.
- Mutual funds investing entirely or predominantly in a diversified portfolio consisting of the eligible assets identified above.

Mutual funds are to be managed by reputable investment companies of national stature that are members of the SIPC. Money market mutual funds must be institutional quality with Standard and Poor's or Moody's rating of "A" or better.

Certificates of deposit must be in amounts that qualify for insurance (\$100,000 or less) or each issuing bank.

Domestic corporate notes and bonds are restricted to dollar denominated securities issued by corporations with a U.S. headquarters, with a remaining time to maturity at purchase no greater than five years, and a rating at time of purchase of investment grade (a minimum rating of Baa by Moody's or BBB by S&P or Fitch).

International fixed income securities are restricted to U.S. dollar denominated notes or bonds issued by governments of countries of the "G-7" nations.

Ineligible securities for the unallocated portion of the Working Capital Fund include everything not specifically listed above as eligible.

Table 4

Asset Allocation of the Unallocated Portion of the Working Capital Fund

Allocation:	Lower Limit	Target	Upper Limit
Cash & equivalents	0%	0%	5%
Money Market Funds	5%	10%	20%
U.S. Treasury Securities	0%	40%	80%
Domestic Corp. Bonds	0%	30%	60%
International fixed income	0%	20%	30%

The following additional restrictions apply:

Domestic corporate securities: No more than one percent of the Working Capital Fund shall be invested in the securities of a single corporation.

International fixed income: No more than two percent of the Working Capital Fund shall be invested in the securities issued by a single non-U.S. government.

The unallocated portion of the Working Capital Fund is funds that are not expected to be spent for at least one year. Therefore, in most cases 100% of those funds will be invested. Unanticipated liquidity needs can be accommodated by keeping some unallocated funds in money market mutual funds. The maturities of securities will be staggered so that they mature prior to the expected date of expenditure. As securities mature, the funds will be deposited into a money market mutual fund if the Tribal Treasurer expects them to be allocated soon, or reinvested in securities of an appropriate maturity if the Treasurer does not expect that they will be allocated soon. If liquidity needs require liquidation of investments prior to maturity, attention will be paid to cost of liquidating various investments and the maturity of the remaining portfolio. The Tribal Treasurer will monitor the composition and performance of the Working Capital Fund to insure that, within the limits of market conditions, it is managed in a manner that is consistent with the Tribe's needs.

The weighted average duration of unallocated working capital funds shall not exceed three years.

Performance benchmarks: The investment performance of unallocated working capital funds must reflect the classes of assets in which the funds will be invested and the target weight for each class. For that portion of the unallocated working capital funds that are invested in money market mutual funds, the market yield on 90-day Treasury Bills is the benchmark. For funds invested in domestic (U.S.) notes and bonds, the benchmark is the Lehman Brothers Intermediate Government/Credit Bond Index (LBIGCBI). For funds invested in international

fixed income securities, the benchmark is the J.P. Morgan Global Government Bond Index (JPM GBI).

Based on the target allocations, the overall benchmark for unallocated working capital is calculated as:

$$\text{Benchmark} = .10(90\text{-day T-bill yield}) + .70(\text{LBIGCBI}) + .20(\text{JPM GBI})$$

V. Hopi Perpetual Fund (HPF)

A. HPF Assets: Average approximately \$35.5 million.

B. Background: The purpose of the Hopi Perpetual Fund is to provide a self-perpetuating source of revenue for the following Tribal Trust Funds (and other Trust funds created by the Tribal Council in the future):

- Hopi Wildlife Endowment Fund
- Hopi Tribal Permanent Trust Fund

It is intent of the Hopi Tribal Council that the Permanent Trust Fund be established as a permanent non-expendable trust fund for purposes of ensuring ongoing sources of funds for the benefit of Hopi Tribal members from these Trust Funds by prudent investment practices. Expenditures of principal are not anticipated and will occur only with the prior approval of the Tribal Council.

C. HPF Objectives:

Return Requirements: Returns must be sufficient to protect the principal from the effects of inflation. The overall objective is to earn a total return equal to or greater than the relevant benchmark, while observing the fund's liquidity and risk constraints.

Risk Tolerance: Moderately high. Because this is a permanent fund, short-term fluctuations in market value will be tolerated.

D. HPF Constraints:

Liquidity requirements: Minimal. It is anticipated that the principal will not be spent; therefore assets will be liquidated only to provide funds for reinvestment.

Time Horizon: Perpetual.

Laws and Regulations: It is the Treasurer's responsibility to insure that the Hopi Perpetual Fund is managed in compliance with all Hopi laws and regulations, including the Tribal Council Resolutions and Ordinances that created the Hopi Wildlife Endowment fund and the Hopi Tribal Perpetual Fund, and any subsequent resolutions and ordinances relating to their operation.

Taxes: Tribal Trust Funds are exempt from Federal, State and Local taxes.

E. HPF Asset Allocation:

Eligible Securities: The classes of assets in which the Hopi Perpetual Fund shall be held and invested include:

- Cash and cash equivalents (including bank accounts and free cash balances in brokerage accounts).
- Money Market Funds.
- Bills, Notes and Bonds issued by the U.S. Treasury or U.S. Government agencies.
- Domestic (U.S.) corporate notes and bonds.
- International fixed income.
- Domestic equities.
- Real estate investment trusts (REITs).
- International equities.
- Mutual funds investing entirely or predominantly in a diversified portfolio consisting of the eligible assets identified above.

Mutual funds are to be managed by reputable investment companies of national stature that are members of the SIPC. Money market mutual funds must be institutional quality with Standard and Poor's or Moody's rating of "A" or better.

Domestic corporate notes and bonds are restricted to dollar denominated securities issued by corporations with a U.S. headquarters, with a rating at time of purchase of investment grade (a minimum rating of Baa by Moody's or BBB by S&P or Fitch).

International fixed income securities are restricted to U.S. dollar denominated notes or bonds issued by governments of countries of the "G-7" nations.

Domestic equities are common stock listed and traded in U.S. markets. Common stock in individual firms must be rated B+ or higher by Standard and Poor's Dividend and Earnings Ranking Service. Alternatively, investments in the equity market can be through mutual funds, as described below.

Ineligible securities for the Hopi Perpetual Fund include everything not specifically listed above as eligible.

Table 6
Asset Allocation of the Hopi Perpetual Fund

Allocation:	Lower Limit	Target	Upper Limit
Cash & equivalents	0%	0%	5%
Money Market Funds	0%	0%	10%
U.S. Treasury Securities	0%	15%	30%
Domestic Corp. Bonds	0%	15%	30%
International fixed income	0%	10%	20%
Domestic equity	5%	30%	60%
REITS	0%	10%	20%
International equity	0%	20%	40%

The following additional restrictions apply:

Domestic corporate securities: No more than one percent of the Hopi Perpetual Fund shall be invested in the securities of a single corporation, including notes, bonds and stock.

International fixed income: No more than two percent of the Hopi Perpetual Fund shall be invested in the securities of a single non-U.S. government issuer and no more than four percent of the Working Capital Fund shall be invested in securities issued by governments and corporations of any single non-U.S. country.

Equity: Investments in equities (common stock, excepting REITs) shall be in a diversified portfolio of established companies with annual sales revenue in excess of \$250 million and net income in excess of \$25 million in at least four of the five previous years. Investments in REITs shall be in a diversified portfolio of established REITs with annual sales revenue in excess of \$100 million and net income in excess of \$10 million in at least four of the previous five years. No more than one percent of Hopi Perpetual Fund shall be invested in the equity of a single corporation and no more than three percent shall be invested in the equity of a single industry. Alternatively, the Hopi Perpetual fund can invest in index mutual funds (indexed to the Standard and Poor's 500 stock index or the Wilshire 5000 all-market index) or well-diversified actively managed mutual funds that are classified as "growth and income" funds. Investments in REITs can be through REIT mutual funds.

The Hopi Perpetual Fund has an unlimited life, and it is not anticipated that the principal balance will be spent. Therefore, the only portion of the Fund that ordinarily will be held in cash or money market funds is interest earned that is expected to be spent within one year's time. The exception to this is if additional funds are appropriated by the Tribal Council, or funds are generated from the

sale of securities held in the Fund. In those cases, that money will be held in cash or money market funds only until invested permanently.

Performance benchmarks: To the extent that portions of the fund are invested by different investment managers, the performance of that portion must be measured in reference to the appropriate benchmark. For funds invested in U.S. Treasury bonds, the benchmark is the Lehman Brothers U.S. Government bond Index. For funds invested in domestic corporate bonds the benchmark is the Dow Jones Corporate Bond Index. For funds invested in international bonds, the benchmark is the J.P. Morgan Global Government Bond Index. For funds invested in the domestic stock market, the benchmark is either the Standard and Poor's 500 stock index or the Wilshire 5000 stock Index. For REITs, the benchmark is the Morgan Stanley REIT index. For funds invested in international equities, the benchmark is the Morgan Stanley Capital International Europe, Australasia & Far East Index. The overall investment performance of the Perpetual Fund must reflect the classes of assets in which the funds will be invested and the target weight for each class and is calculated as:

$$\text{Benchmark} = .15(\text{LBUS}) + .15(\text{DJCBI}) + .10(\text{JPM GBI}) + .30(\text{S\&P 500 or Wilshire 5000}) + .10(\text{MSREIT}) + .20(\text{MSCIEAFE})$$

Where:

LBUS: Lehman Brothers U.S. Government Bond Index

DJCBI: Dow Jones Corporate bond Index

JPM GBI: J.P. Morgan Global Government Bond Index

S&P 500: Standard and Poor's 500 Stock Index

Wilshire 5000: Dow Jones Wilshire 5000 Stock Index

MSREIT: Morgan Stanley REIT Index

MSCIEAFE: Morgan Stanley Capital International Europe, Australasia & Far East Index

VI. Land Acquisition Fund (LAF)

A. LAF Assets: Average approximately \$33.5 million.

B. Background: Longstanding disputes regarding the respective interests of the Hopi and Navajo in lands within the Hopi 1882 Reservation resulted in the enactment of Public Law 93-531 in 1974 setting up the legal means to resolve the dispute. In settlement of certain of its legal claims against the United States, the Hopi Tribe agreed to provide Accommodation Agreements--consisting of home site leases-- to Navajo residents on the Hopi Partitioned Lands in return for certain considerations, including settlement payments totaling \$50.2 million. Upon receipt, those funds were placed in the Hopi Land Acquisition Fund. The Land Acquisition Fund has been used periodically since 1997 to fund the acquisition of various of the Hopi Tribe's real estate holdings. The fund has been augmented with certain funds received by the Hopi Tribe in satisfaction of judgments awarded the Hopi Tribe in litigation against the Navajo Nation arising out of the 1882 reservation land dispute. The Land Acquisition Fund may be used to acquire up to 500,000 additional acres of land for the Hopi Tribe in Northern Arizona as provided in the Navajo-Hopi Land Dispute Settlement Act of 1996.

C. LAF Objectives:

Return requirements: There is no minimum rate of return or cash flow requirement for this fund. The overall objective is to earn a total return equal to or greater than the relevant benchmark, while observing the fund's liquidity and risk constraints.

Risk Tolerance: Low.

D. LAF Constraints:

Liquidity: High. Assets in this fund must be held in a form that can be converted into cash in as little as 30 days.

Time Horizon: One to 15 months.

Laws and Regulations: It is the Treasurer's responsibility to insure that the Land Acquisition Fund is managed in compliance with all U.S. Federal laws and regulations, and with all Hopi laws and regulations.

Taxes: The Hopi Tribe is exempt from all Federal, state and local taxes.

E. LAF Asset Allocation:

Eligible Securities. The classes of assets in which the Land Acquisition Fund shall be held and invested include:

- Cash and cash equivalents (including bank accounts and free cash balances in brokerage accounts).
- Money Market Mutual Funds.
- Bills, Notes and Bonds issued by the U.S. Treasury or U.S. Government agencies with remaining time to maturity at purchase no greater than three years.
- Mutual funds investing entirely or predominantly in bills, notes and bonds issued by the U.S. Treasury or U.S. Government agencies with remaining time to maturity at purchase no greater than three years.

Mutual funds are to be managed by reputable investment companies of national stature that are members of the SIPC. Money market mutual funds must be institutional quality with Standard and Poor's or Moody's rating of "A" or better.

Ineligible securities for the allocated portion of the Land Acquisition Fund include everything not specifically listed above as eligible.

Table 6
Asset Allocation of the Land Acquisition Fund

Allocation:	Lower Limit	Target	Upper Limit
Cash	0%	0%	100%
Money Market Funds	0%	50%	100%
U.S. Treasury Securities	0%	50%	100%

The Fund should be managed to maximize the time that funds are invested prior to expenditure, while maintaining sufficient liquidity to allow purchase of land with as little as 30 days notice. The Tribal Treasurer will monitor the composition and performance of the Land Acquisition Fund to insure that, within the limits of market conditions, it is managed in a way that is consistent with the Tribe's needs. If liquidity needs require liquidation of investments prior to maturity, attention will be paid to cost of liquidating various investments and maturity of the remaining portfolio.

Performance Benchmark: The appropriate benchmark for performance is the market yield on 180-day Treasury bills.

VII. Rebalancing and Future Changes in Allocation

As stated in the introduction, portfolio management is a dynamic process. It is not possible to anticipate future requirements and how they might affect the ways the Hopi Tribe's funds should be managed. Nothing in this document constrains the Hopi Tribal Council in establishing future investment policy.

Changes in the eligible assets and/or asset allocation might be desirable due to any number of things. Based on experience, or changes in the Tribe's needs, the Treasurer can recommend changes to the Tribal Council at any time.

In implementing this investment policy, the Treasurer may decide to use professional investment managers. Outside money managers must be a bank, insurance company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.

Investment managers hired or appointed by the Tribe are required at a minimum, to:

- A. Provide quarterly performance numbers calculated on a time-weighted basis, reported net and gross of fees.
- B. Compare returns (both net and gross) to the performance benchmarks established in this policy.

VIII. CONTROL PROCEDURES

A. Custody of Securities:

All securities held by the funds will be in custody with an institutional custodian bank or trust company, or an institutional brokerage account properly registered to the Hopi Tribe and the specific fund. Access to funds is limited to the Tribal Chairman, Vice-Chairman, Secretary or Treasurer as representatives of the Tribal Council. Any two of the four signatures will suffice and one signature will suffice for funds being wire transferred to the Tribe's disbursement account. Any funds withdrawn from funds in a custody account of the Fund must first be deposited directly to the Tribe's General Disbursement Account before being disbursed for any expense or other investment. Wire instructions and withdrawal instructions set up with each and every custodian must specify that withdrawn funds can be wired to or have checks drawn in the name of the Tribal General Disbursement Account. Outside money managers will work closely with the Tribal Treasurer to assure that custody and execution operate smoothly and that all necessary security measures are in place.

B. Trading

All trading will be on a "best execution basis" and no "soft dollar" transactions will be permitted.

C. Performance Measurement and Reporting Requirements

The Tribal Treasurer will review all fund transactions and balances monthly. The Tribal Council and the Tribal Treasurer will review each fund's performance quarterly and annually, calculated on a time-weighted basis. The performance of each portfolio will be reviewed and compared to the benchmarks identified in this policy for each fund. All fees will be reviewed annually and compared to the level of services provided.

D. Duties and Responsibilities of Appointed Fiduciaries

The duties and responsibilities delegated to any fiduciaries appointed by the Tribal Council and Tribal Treasurer to participate in the management of the Tribe's investments funds are as follows:

1. Manage the Fund's assets under its care, custody and/or control in accordance with Investment Policy objectives and guidelines as set forth herein, and also expressed in separate written addendums to this investment policy if and when deviation from this policy is deemed prudent by the Tribal Council.

2. Promptly inform the Hopi Tribal Treasurer in writing regarding all significant and/or material matters and changes pertaining to the investment of each Fund's assets including but not limited to:
 - Investment strategy
 - Portfolio structure
 - Tactical approaches
 - Ownership
 - Organizational structure
 - Financial condition
 - Professional staff
 - Recommendations for guideline changes
 - All legal issues, SEC and other regulatory proceedings affecting the firm.
3. Promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the fund set forth herein.
4. Assist the Treasurer's office in setting up custody, trading and control procedures for proper management of the fund.
5. Coordinate closely with the Treasurer's office to ascertain current and future liquidity needs of the Fund and take appropriate steps to ensure such liquidity is available as needed.
6. Allocate the Fund's assets in such a manner as to maximize potential return within the risk and asset parameters stated in this investment policy and the liquidity and funding constraints of the Fund.
7. Notify the Treasurer's office of the realized/unrealized gains or losses on each fund within thirty days of the end of the quarter.
8. Monitor each fund's account and provide a monthly summary including an accurate report of beginning and ending balances, and a detail of all transactions to Tribal Treasurer and/or his designated representative.
9. Measure the fund's account and provide quarterly performance reports to Tribal Treasurer and Tribal Council on a timely basis.
10. If outside money managers are utilized, advise the Tribal Treasurer and Tribal Council in the selection process and monitor performance and adherence to policies and guidelines. Report results to Treasurer and Tribal Council. Recommend changes whenever needed to achieve the objectives established in the investment policy.
11. Meet with Treasurer and/or Tribal Council on a quarterly basis to review the Fund's performance and outlook. Inform the Treasurer and Tribal Council of material events that offset current and future investments.
12. The Tribal Treasurer shall retain full power of attorney over all investment holdings.

E. Duties and Responsibilities of Tribal Treasurer

In addition to the other duties described in this investment policy, the Tribal Treasurer shall:

1. Coordinate with appointed fiduciaries to effect smooth operation of each fund.
2. Communicate clearly and promptly with both appointed fiduciaries and the Tribal Council any changes in the nature of funding or spending plans for the funds or changes in policies affecting the funds.
3. Keep appointed fiduciaries aware of current and expected liquidity needs on a monthly basis.
4. Meet with appointed fiduciaries at least quarterly regarding each fund's performance and requirements.
5. Timely execution of any and all correspondence or documents required to properly carry out the investment and spending activities of each fund.
6. If Treasurer requires assistance, the Treasurer shall select and appoint a committee of qualified persons to assist the Treasurer in policy and investment selections and monitoring.
7. Monitor services of appointed fiduciaries and custodian/brokerage firms and report to Tribal Council if services are inadequate or additional services are required.

F. Duties and Responsibilities of The Tribal Council

1. Coordinate with Tribal Treasurer and/or Investment Manager to effect smooth operation of each fund.
2. Delegate appropriate authority to Tribal Treasurer.
3. Review each fund's performance not less than quarterly.
4. Meet with Tribal Treasurer, or Investment Committee and/or investment manager regarding the Fund's performance and objectives at least semi-annually (preferably quarterly).
5. Promptly communicate to Tribal Treasurer any change in Tribal Council objectives and expected funding or spending plans for each fund.
6. Review Tribal Treasurer's and investment managers' performance for adherence to policies and guidelines, effective communications and operations, and investment performance of each fund.
7. Add, delete, or modify policies and guidelines for the Fund as demanded by funding or spending policies, capital markets, the geo-political environment or Tribal, Federal, or BIA/IHS regulations.

G. Review and Modification

The Tribal Chairman, Tribal Treasurer, the appointed fiduciaries and outside money managers, if any, shall review this policy at least annually and initial to signify their annual review has been completed. Any necessary changes shall be recommended to the Tribal Council.